

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100920 191027Z /20

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3065

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

AMEMBASSY REYKJAVIK POUCH

S E C R E T SECTION 1 OF 11 STOCKHOLM 0690

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C O R R E C T E D C O P Y SECTION INFO (1 OF 11 VICE 1 OF 9)

E.O. 11652: XGDS-3

TAGS: PEPR, SW

SUBJECT: US GOALS AND OBJECTIVES IN SWEDEN

REF: (A) 77 STATE 291277, (B) 77 STATE 295529, (C) 77 STATE 291277,  
(D) STOCKHOLM 0124, (E) STATE 033818, (F) 77 STOCKHOLM 1367

IN ACCORDANCE WITH STATE REFTELS, THE FOLLOWING PAPER PROVIDES  
AN OVERVIEW OF THE NEVIRONMENT IN WHICH US POLICY WILL BE  
IMPLEMENTED OVER THE NEXT 12 TO 24 MONTHS, US OBJECTIVES IN  
SWEDEN AND THE COURSES OF ACTION WE WILL FOLLOW TO REACH  
THOSE OBJECTIVES. THE FORMAT FOLLOWS THE SPECIFIC GUIDANCE  
SET DOWN IN REF B.

A OVERVIEW

AS WE LOOK AHEAD TO THE IMPLEMENTATION OF US POLICY TOARDS  
SWEDEN OVER THE NEXT TWO YEARS, WE BELIEVE IT USEFUL TO EXMPHASIZE

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CERTAIN BASIC CONSIDERATIONS:

(1) THE FACT THAT OFFICIAL RELATIONS REST ON A BASE  
OF FRIENDSHIP, MUTUAL COOPERATION, AND A DESIRE SHARED  
BY BOTH SIDES TO DETECH AND QUICKLY RESOLVE POTENTIAL  
DISAGREEMENTS. EXPLANATIONS FOR THIS ARE WELL-KNOWN--  
THE END OF THE VIETNAM CONFLICT, A MORE REALISTIC

SWEDISH APPRECIATION OF US ECONOMIC DIFFICULTIES AS A RESULT OF SWEDEN'S OWN SERIOUS PROBLEMS, EVEN GREATER SWEDISH DEPENDENCE ON US TECHNOLOGY, WEAPONS SYSTEMS, NUCLEAR FUELS, ETC., AND AN EMERGING COMPATIBILITY OF PERCEPTKON VIS-A-VIS MAJOR INTERNATIONAL ISSUES (HUMAN RIGHTS, SOUTHERN AFRICA, NORDIC SECURITY, DISARMAMENT, FOR EXAMPLE) RESULTING MAINLY FROM RECENT CHANGES IN US POLICY EMPHASES. AN ENVIRONMENT EXIST IN WHICH WE ARE ABLE TO CARRY OUT CLOSE CONSULTATION AND DIALOGUE WITH SWEDISH POLICY-MAKERS ACROSS THE BROAD SPECTRUM OF OUR RELATIONW.

(2) THERE IS IN PROCESS AN INCREASINGLY FAVORABLE ATTITUDE TOWARDS THE US BY THE SWEDISH PUBLIC, MEDIA, POLITICAL ORGANIZATIONS AND OTHER NON-GOVERNMENTAL GROUPS. THE CLIMATE OF OPINION AS IT AFFECTS SWEDISH-AMERICAN RELATIONS IS, WITH SEVERAL STUBBORN EXCEPTIONS, PROBABLY BETTER THAN IT HAS BEEN IN FIFTEEN YEARS.

(3) THE POSITIVE TREND NOW IN TRAIN WOULD NOT BE STILLED OR REVERSED SHOULD THE SHAKY NON-SOCIALIST COALITION FALL.

OFFICIAL RELATIONS AND PUBLIC ATTITUDES IN SWEDEN HAVE IMPROVED LARGELY AS A RESULT OF CHANGES OCCURRING ELSEWHERE--IN INDOCHINA AND IN WASHINGTON. WHILE WE DO NOT EXPECT AT ANY TIME TO SEE EYE-TO-EYE WITH THE SWEDES ON  
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ALL ISSUES, WE AND THEY NEVERTHELESS VIEW WORLD DEVELOPMENTS INCREASINGLY FROM A BASE OF COMMON PERCEPTIONS, MUTUAL CONCERNS, AND A SHARED DESIRE FOR SIMILAR SOLUTIONS. THE CONJOINED OUTLOOK WOULD NOT, WE FEEL, BE SERIOUSLY AFFECTED BY A CHANGE OF GOVERNMENT HERE, PARTICULARLY WHEN ONE RECALLS THAT THE CONTENT OF THE SWEDISH NEUTRALITY AND FOREIGN POLICY HAS CHANGED PRECIOUS LITTLE AS A RESULT OF THE SOCIAL DEMOCRATS' LOSS OF POWER IN 1976.

THIS IS NOT TO SAY THAT THE US WOULD NOT SUFFER RELATIVELY SHARPER JABS AT THE HANDS OF A PALME-LED GOVERNMENT. THE SOCIAL DEMOCRATS MOST CERTAINLY ARE IDENTIFIED MORE CLOSELY WITH REMAINING POCKETS OF ANTI-US ATTITUDES--IN MEDIA CIRCLES, AMONG INTELLECTUALS AND SOME POLITICAL YOUTH GROUPS--AND PLAME AS ALWAYS WOULD FEEL THE NEED TO CATER TO SUCH PRESSURES. IT IS ALSO TRUE THAT THE FALLDIN GOVERNMENT HAS GONE OUT OF ITS WAY TO CUT THE RHETORIC AND MUTE ITS PUBLIC EXPRESSIONS OF DISAGREEMENT WITH US POLICY. THESE MODIFICATIONS OF STYLE ARE IMPORTANT. BUT WE SHOULD CONTINUE TO APPRECIATE THE GENUINE CONSENSUS WHICH EXISTS IN SWEDEN ON NEARLY ALL FOREIGN POLICY ISSUES. AND, FOR EXAMPLE, SHOULD THE SO-CALLED NEUTRON BOMB BE

DEPLOYED, WE MUST ANTICIPATE THAT THE SWEDISH REACTION  
WILL BE SHARPLY NEGATIVE, NO MATTER WHICH PARTY OR PARTIES  
REPRESENT THE GOVERNMENT.

ON THE QUESTION OF GOVERNMENT STABILITY, THE EMBASSY  
BELIEVES THE SHAKY THREE-PARTY COALITION WILL STUMBLE  
THROUGH TO SEPTEMBER 1979 TO COMPLETE ITS FIRST THREE-  
YEAR TERM. THERE ARE MANY PITFALLS ON THE WAY, HOWEVER, AND  
SHOULD THE ENIGMATIC FALLDIN REACT ILLOGICALLY TO CERTAIN  
PRESSURE POINTS, THE PUBLIC OPINION POLLS INDICATE CLEARLY  
THAT THE SOCIAL DEMOCRATS WOULD BE THE BENEFICIARIES OF  
EXTRAORDINARY ELECTIONS. THE PRINCIPAL DANGER FACING  
THE COALITION IS WIDELY RECOGNIZED AND DEBATED: FALLDIN  
MUST FIND A WAY TO COMPROMISE WITH THE MODERATES AND  
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LIBERALS (AS WELL AS SOCIAL DEMOCRATS) ON A GENERALLY  
ACCEPTABLE NUCLEAR ENERGY POLICY BY THIS FALL. THE PM  
REALIZES NOW THAT THE SOMEWHAT MYSTICAL, STRONGLY ANTI-  
NUCLEAR POSTURE OF THE CENTER PARTY MUST BE MODIFIED EVEN  
FURTHER THAN IT HAS ALREADY BEEN SINCE THE CAMPAIGN OF 1976  
IF THE NON-SOCIALISTS ARE TO SURVIVE. HE ALSO APPRECIATES  
THAT A SOCIAL DEMOCRATIC REGIME WOULD PUSH THROUGH A FULL  
COMPLEX OF NUCLEAR PLANTS AND THAT CENTER PARTY INFLUENCE  
AGAINST THE "NUCLEAR SOCIETY" WOULD THEN HAVE LITTLE OR  
NO EFFECT. GIVEN THE DIRE CONSEQUENCES, WE BELIEVE AT  
THIS TIME THAT FALLDIN WILL CHOOSE COMISE.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100880 191025Z /20

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3066

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

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A FAILURE TO KEEP OFFICIAL UNEMPLOYMENT UNDER 3 PERCENT, ANOTHER DEVALUATION OF THE SWEDISH CROWN OR A WORSENING OF THE RECESSION ARE OTHER POTHOLES ON FALLDIN'S ROAD TO 1979. THERE IS ALSO HIS NEED TO KEEP THE LIBERALS UNDER THEIR PROBABLE NEW LEADER, OLA ULLSTEN, FROM BEING WOODED BY THE SOCIAL DEMOCRATS. FALLDIN IS NOT AND PROBABLY WILL NOT BECOME THE DYNAMIC LEADER MANY NON-SOCIALISTS HAD HOPED, IN MANY WAYS, HE HAS BEEN A DISAPPOINTMENT TO HIS FOLLOWERS. HIS CENTER PARTY IS DOWN SUBSTANTIALLY IN THE POLLS. YET, IRONICALLY, HE PROBABLY HAS A 50-50 CHANCE OF BEING RETURNED NEXT YEAR IF HE CAN COMPROMISE ON ENERGY-- NOT BECAUSE VOTERS BELIEVE HE WILL FINALLY DISCOVER SOLUTIONS THUS FAR ELUSIVE, BUT BECAUSE PALME AND THE SDP, IN THE EYES OF MANY, THREATEN MORE RADICAL DERRING-DO IF THEY GET BACK--A HIGH CENTRALIZED, GOVERNMENT-DIRECTED ECONOMY, WAGE-EARNER FUNDS, ETC.-- AS THEY ATTEMPT TO TRANSFORM SWEDISH SOCIAL DEMOCRACY INTO A FULL-BLOWN "DEMOCRATIC SOCIALISM."

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THE EMBASSY FORESEES NO MAJOR BILATERAL PROBLEMS WITH SWEDEN OVER THE NEXT TWO YEARS. YET THERE ARE IRRITANTS AND POTENTIAL IRRITANTS WHICH, IF NOT HANDLED WITH CARE AND DESPATCH, COULD BECOME GENUINE ISSUES. WE MUST, FOR INSTANCE, LEND CONSIDERABLE ATTENTION TO THOSE POLICIES AND MECHANISMS WHICH WILL PERMIT A CONTINUATION OF THE TRANSFER OF SENSITIVE MILITARY TECHNOLOGY TO SWEDEN (SEE OBJECTIVE I BELOW). SIMILARLY, SHOULD THE CURRENT USG CONSIDERATION OF TRANSFER OF TECHNOLOGY RESULT IN SIGNIFICANT CHANGES IN EXPORT CONTROLS OVER PRODUCTS AND TECHNOLOGY (LICENSES) WE MUST GIVE CLOSE ATTENTION TO THE EFFECTS ON SWEDEN. SHOULD THE CHANGES BE RESTRICTIVE ON FLOWS TO SWEDEN, WE MIGHT FACE SERIOUS CONSEQUENCES IN OUR BILATERAL RELATIONS. (SEE OBJECTIVE III BELOW.)

B. US OBJECTIVES

I. THE MAINTENANCE OF SWEDEN'S ROLE IN NORTHERN FLANK SECURITY

WE ASSUME WASHINGTON AGREEMENT ON THE HIGH PRIORITY

THIS GOAL HAS IN OUR BILATERAL RELATIONS. AS THE EMBASSY HAS MADE CLEAR FOR MANY YEARS, OUR BASIC PURPOSE HERE IS THE PRESERVATION OF AN INDEPENDENT, MILITARILY-STRONG, NON-ALIGNED SWEDEN, FAVORABLY DISPOSED TOWARDS COOPERATION WITH THE WEST, SWEDISH DEFENSE CONSTITUTES A KEY ELEMENT OF NORDIC DEFENSE, A CRUCIAL ADDITION TO NORTHERN FLANK SECURITY, AND DESERVES, IN OUR OWN ENLIGHTENED SELF-INTEREST AND THAT OF NATO, EVERY POSSIBLE ENCOURAGEMENT AND ASSISTANCE. WE BELIEVE ANY MAJOR LESSENING OF SWEDISH DEFENSE CAPABILITY WOULD REPRESENT A DEGRADATION OF WESTERN SECURITY IN THE NORDIC AREA AND, AS SUCH, REFLECT DIRECTLY ON OUR OWN GLOBAL  
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EQUATIONS. IN THE FACE OF THE CONTINUING BUILDUP OF THE SOVIET KOLA PENINSULA COMPLEX, THIS POINT BEARS CONSTANT REPETITION.

THE EMBASSY HAS BEEN HEARTENED BY SEVERAL RECENT STATE ANALYSES WHICH UNIFORMLY CONFIRM THE SENSITIVE "LINCHPIN" ROLE OF SWEDISH DEFENSE IN THE NORDIC BALANCE. WE ARE FURTHER ENCOURAGED THAT THESE STUDIES ENDORSE PREVIOUS FINDINGS THAT THE PROVISION OF US TECHNOLOGY, ARMS AND EQUIPMENT TO HELP SUSTAIN SWEDISH ARMED READINESS AND ITS ARMAMENTS INDUSTRY IS IN THE US INTEREST.

AGAINST THIS BACKGROUND, IT IS SOBERING TO NOTE THAT THE KEY POLICY QUESTION FACING THE US IN THIS AREA IS WHETHER THE GOS CAN MAINTAIN ITS HIGH DEFENSE CREDIBILITY IN THE FACE OF A DETERIORATING ECONOMIC SITUATION AND INCREASED POLITICAL PRESSURES FOR REDUCED DEFENSE EXPENDITURES. AN UNFAVORABLE BALANCE OF PAYMENTS, A SLOWED IF NOT STAGNATED ECONOMY, CONTINUED HIGH INFLATION AND THE RISING COSTS OF WEAPONS SYSTEMS HAVE COMBINED TO REDUCE THE REAL VALUE OF THE SWEDISH DEFENSE BUDGET--AND TO PLAY HOB WITH DEFENSE PLANNING. AS A RESULT, THE SIZE OF THE MILITARY HAS BEEN STEADILY DECLINING, NEW EQUIPMENT ORDERS CANCELLED, AND REFRESHER TRAINING SERIOUSLY CURTAILED. THE DECISION ON THE PRODUCTION OF A NEW GENERATION OF AIRCRAFT (B3LA) HAS AGAIN BEEN POSTPONED (NOW TO THE FALL OF 1978). THE B3LA DECISION IS CRUCIAL AND SOME WOULD EVEN MAINTAIN THAT THE FUTURE OF THE SWEDISH AEROSPACE INDUSTRY HINGES ON IT. THE INDIGNEOUS MISSILE INDUSTRY IS TO BE TERMINATED. ALL THESE DEVELOPMENTS HAVE CUT THE EFFECTIVENESS AND HENCE THE CREDIBILITY OF SWEDISH DEFENSE.

THERE IS LITTLE THE US CAN DO TO EXPEDITE SOLUTIONS TO THE PRINCIPAL SWEDISH PROBLEM, ITS RECESSION. UNTIL THERE IS AN ECONOMIC UPTURN, THE SWEDISH MILITARY CANNOT EXPECT TO RECEIVE THE SUBSTANTIAL INCREASE IN FUNDS REQUIRED  
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TO VERCOME CURRENT DEFICIENCIES. INDEED, THERE IS NO  
GUARANTEE AT THIS POINT THAT THE SWEDISH DEFENSE  
ESTABLISHMENT WILL BENEFIT SIGNIFICANTLY WHEN THE  
ECONOMY DOES RECOVER. THERE ARE STEPS, HOWEVER, WHICH  
THE US CAN TAKE TO HELP MAINTAIN AN EFFECTIVE FORCE.

COURSES OF ACTION

(A) CONSIDER SYMPATHETICALLY REQUESTS FOR US ARMS OR  
MILITARY TECHNOLOGY AS A CONTRIBUTION TO THE CREDIBILITY  
OF THE SWEDISH CONVENTIONAL DETERRENT, THROUGH EXISTING  
DEAS, FMS AND OTHERWISE. THE EMBASSY AND, WE ARE TOLD,  
SWEDISH OFFICIALS, UNDERSTAND THAT SWEDEN IS ONE OF A  
LIMITED NUMBER OF NON-ALLIED FRIENDLY GOVERNMENTS IN A  
SPECIAL CATEGORY WHOSE REQUIREMENTS FOR FIRST-LINE MILITARY  
SYSTEM WILL BE GRANTED WHENEVER POSSIBLE. GIVEN THE MUTUAL  
BENEFITS ACCRUING TO SWEDISH AND NATO DEFENSE AS A RESULT  
FO SUCH TRANSFERS, WE AGREE COMPLETELY THAT SUCH FAVORABLE  
CONSIDERATION IS WARRANTED. NON-NATO SWEDEN, IN EFFECT,  
IS HELPING EFFECTIVELY TO CARRY OUT NATO'S MISSION IN AN  
AREA OF INCREASED TENSION. NEITHER THE SWEDES NOR THE  
EMBASSY WOUOD UNDERSTAND ANY POLICY DECISION WHICH WOULD  
DOWNGRADE SWEDISH ACCESS TO SOPHISTICATED US TECHNOLOGY  
AND WEAPONS, AND THEREBY FURTHER WEAKEN SWEDISH DEFENSE  
EFFORTS. WE LOOK FORWARD TO THE VISIT IN APRIL OF  
DR. WILLIAM PERRY OF DDR&E AND HOPE A FULL AND FRANK  
EXCHANGE MIGHT TAKE PLACE ON SOME OF THESE CONSIDERATIONS.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100879 191015Z /20

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3067

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH  
AMEMBASSY REYKJAVIK POUCH

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MEANWHILE, WE ASK THAT THE WASHINGTON POLICY REVIEW  
PLACE THIS ITEM NEAR THE TOP OF ITS AGENDA.

(B) CONSIDER FAVORABLY, WHENEVER POSSIBLE, SWEDISH  
EXPORT OF CONTROLLED US COMPONENTRY OR TECHNOLOGY, WHEN  
THIS DOES NOT SERIOUSLY AFFECT OTHER US SECURITY INTERESTS,  
TO ASSIST SWEDEN IN MAINTAINING A SOPHISTICATED DOMESTIC  
ARMS INDUSTRY. REPORTS IN THE SWEDISH MEDIA IN FEBRUARY 1978  
HAVE AGAIN RESURRECTED HOPE THAT AN EXTENSIVE SALE OF  
VIGGEN AIRCRAFT TO INDIA MIGHT MATERIALIZE. THE COMPETITION  
THIS TIME, WE UNDERSTAND, IS WITH BRITISH AND FRENCH FIGHTER  
AIRCRAFT AND WILL BE RESOLVED BY MID-YEAR. THESE REPORTS  
RECALL THE TORTUOUS PROCESS SAAB-SCANIA WENT THROUGH IN  
1975-76 IN ATTEMPTING TO OBTAIN AN INFORMAL INDICATION  
OF A LIKELY USG RESPONSE TO A VIGGEN SALE TO INDIA. AS  
THE DEPARTMENT IS AWARE, THE US ULTIMATELY REPLIED THAT  
A FORMAL GOS APPLICATION FOR SUCH A SALE WOULD PROBABLY  
NOT BE APPROVED BY WASHINGTON. IN THE PRESENT CASE, WE  
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DOUBT THAT THE VIGGEN, GIVEN ITS HIGH COST, WILL WIN THE  
INDIAN CONTEST. WE HAVE RECEIVED NO GOS REQUEST OR FEELER  
ON SUCH A TRANSFER. IF APPLICATION IS RECEIVED, HOWEVER,  
THE EMBASSY STRONGLY RECOMMENDS ITS MOST CAREFUL CONSIDERATION  
BY THE WASHINGTON COMMUNITY. POLITICAL CONDITIONS IN THE US,  
SWEDEN AND INDIA HAVE CHANGED SINCE THE 1975-76 CASE. WE  
THINK A STRONG CASE COULD BE MADE FOR THE APPROVAL OF SUCH  
A SALE, UNLIKELY AS IT MAY BE. IN ANY CASE, THE WASHINGTON  
REVIEW SHOULD ADDRESS THE GENERAL RECOMMENDATION TO APPROVE  
SWEDISH EXPORT OF CONTROLLED US COMPONENTRY WHENEVER  
OUR INTERESTS ARE NOT SERIOUSLY DAMAGED.

(C) EXCHANGE OF HIGH LEVEL VISITS. AS IN THE CIVILIAN  
SECTOR, EXCHANGE VISITS BY THE US-SWEDISH MILITARY SHOULD  
BE ENCOURAGED. THEY HAVE CONSIDERABLE DIRECT AND PERIPHERAL  
ADVANTAGES FOR BOTH SIDES AS HAS BEEN REPEATEDLY ATTESTED.  
THE SWEDISH SUPREME COMMANDER, GENERAL SYNNERGREN, VISITED  
THE US LAST APRIL. WE HOPE THAT GENERAL LENNART LJUNG,  
SYNNERGREN'S SUCCESSOR, WILL BE PERMITTED TO VISIT IN 1979.  
WE ALSO HOPE THAT MINISTER OF DEFENSE KRONMARK WILL BE FREE  
TO VISIT WASHINGTON THIS YEAR.

FROM THE US, THE VISIT OF THREE US NAVY SHIPS LAST NOVEMBER WAS HIGHLY SUCCESSFUL, WITH TREMENDOUS PUBLIC RESPONSE AND EXCELLENT PUBLICITY. ADDITIONAL SHIP VISITS SHOULD BE SCHEDULED OVER THE NEXT TWO YEARS. WE WOULD HOPE THAT ANOTHER VISIT OF THE STUDENTS AND FACULTY OF THE NATIONAL DEFENSE UNIVERSITY CAN BE SCHEDULED FOR THE SPRING OF 1979 AND THAT SWEDISH WAR COLLEGE STUDENTS WILL AGAIN BE RECEIVED IN THE US.

STATE AND DOD ARE PRINCIPALLY INVOLVED IN THE ACTION PROGRAM ABOVE. USIS WILL ALSO CONTRIBUTE, E.G., THROUGH  
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SPONSORED NATO BRIEFING TRIPS FOR SWEDISH POLITICAL/DEFENSE EXPERTS AND MEDIA OPINIONMAKERS. WE WOULD ENCOURAGE WASHINGTON ASSISTANCE IN STIMULATING A FLOW OF RECOGNIZED US DEFENSE-RELATED EXPERTS WILLING TO PARTICIPATE IN THE MISSION'S VOLUNTARY SPEAKER PROGRAM.

## II. STRENGTHENING OF US-SWEDISH COOPERATION IN INTERNATIONAL FORA

THE NEW HARMONY IN OUR BILATERAL RELATIONS OFFERS INCREASED OPPORTUNITY TO COOPERATE MORE CLOSELY THAN EVER WITH SWEDEN IN AREAS OF MULTILATERAL DIPLOMACY, GENERALLY IN THE UN AND ITS SUBSIDIARY ORGANIZATIONS, BUT AS WELL AS IN SPECIAL SITUATIONS OF CRITICAL US CONCERN (SOUTHERN AFRICA, NUCLEAR NON-PROLIFERATION, DISARMAMENT, INFCE, HUMAN RIGHTS, CSCE, ENVIRONMENTAL PROTECTIONS, ANTI-TERRORISM, NARCOTICS CONTROL, ETC.). IT IS IN THESE AREAS THAT WE SHOULD BE TAPPING SWEDEN'S UNUSUALLY HEAVY AND INFLUENTIAL INVOLVEMENT IN CURRENT INTERNATIONAL ISSUES. MORE RAPPORT (AND SUPPORT), WE BELIEVE, CAN BE GAINED THROUGH ADVANCE DISCUSSION WITH THE GOS ON EMERGING ISSUES, POLICIES, AND POLICY DEVELOPMENTS. THE EMPHASIS SHOULD BE ON WORKING TOGETHER DURING THE POLICY FORMULATION STAGE, NOT MERELY SEEKING SWEDISH ENDORSEMENT OF US POLICIES ALREADY SET IN CONCRETE.. THE BILATERAL DIALOGUE SHOULD BE JUST THAT, NOT LIMITED TO INFORMING THE GOS OF FINALIZED POLICIES. WE BELIEVE LAST YEAR'S EXPERIENCE DEMONSTRATES THAT SUCH AN APPROACH WILL PAY OFF, E.G., GOS VIEWS WERE HELPFUL IN THE LAUNCHING OF THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION (INFCE), IN SHAPING POLICY INITIATIVES TOWARD ZIMBABWE AND NAMIBIA, IN CONNECTION WITH HUMAN RIGHTS CONSIDERATIONS (PARTICULARLY IN THE INTERNATIONAL FINANCIAL INSTITUTIONS), ETC. ADVANCE CONSULTATION WITH THE SWEDES IN THE FUTURE WILL NOT ONLY INCREASE SWEDISH UNDERSTANDING OF US CONCERNS BUT, ULTIMATELY, INCREASE THE LIKELIHOOD OF SWEDISH SUPPORT FOR US POSITIONS.



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LATE CONSULTATION OF NOTIFICATION OF DEVELOPMENTS IS, OF COURSE, BETTER THAN NONE AT ALL. BUT INSTRUCTIONS ASKING GOS SUPPORT FOR SADAT-ISRAEL VISIT WERE RECEIVED ONE DAY AFTER OSLO HAD ALREADY PASSED WORD TO GOS. AND, THE RECENT CASE OF THE CRASHED SOVIET SATELLITE, WHERE THE SWEDES EXPRESSED SERIOUS CONCERN TO US AS WELL AS THE SOVIETS, DEMONSTRATES THE WISDOM, IN OUR VIEW OF BROADENING MORE FREQUENTLY THE DISTRIBUTION OF INFORMATION BEYOND THE STANDARD "NATO AND ALLIES" GROUPING.

#### COURSES OF ACTION

(-) MAINTAIN AN ONGOING DIALOGUE ON MULTILATERAL ISSUES OF COMMON CONCERN.

#### NORTH-SOUTH DIALOGUE

THE EVOLUTION OF THE SO-CALLED NORTH-SOUTH DIALOGUE HAS REVEALED SEVERAL POLICY DIFFERENCES WITH THE GOS--AND SUCH DIFFERENCES ARE LIKELY TO PERSIST. THE SWEDES, ALONG WITH OTHER NORDICS AND OTHER "LIKE-MINDED" GOVERNMENTS, HAVE TAKEN A MORE ACCOMMODATING STANCE VIS-A-VIS LDC DEMANDS. THE SWEDES, FOR EXAMPLE, HAVE WRITTEN OFF OFFICIAL INDEBTEDNESS OF THE POOREST LDCS AND URGE OTHERS TO DO THE SAME. BY LAW AND INCLINATION, WE ARE UNLIKELY TO FOLLOW THE SWEDISH LEAD. WE ALSO DIFFER ON THE COMMON FUND'S PURPOSES AND PROPOSED OPERATIONS IN UNCTAD. HERE, THOUGH, THE SWEDES IN ESSENCE, WILL ACCEPT ANY SOLUTION AGREEABLE TO THE DCS AND THE LDCS, AS THEIR PURPOSES ARE POLITICAL RATHER THAN ECONOMIC.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100878 191014Z /20

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3068  
INFO AMEMBASSY COPENHAGEN POUCH  
AMEMBASSY HELSINKI POUCH  
USMISSION USNATO POUCH  
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THE SWEDES HAVE HAD FOR SOME TIME THE "BEST" DC RECORD FOR OFFICIAL DEVELOPMENT ASSISTANCE (ODA) IN TERMS OF PERCENTAGE OF GNP (ONE PERCENT); THE US ONE OF THE POORER RECORDS (0.25-30 PERCENT). THE SWEDES MAINTAIN REGULAR PRESSURE ON THE US AND OTHER DCS TO ACHIEVE AT LEAST THE UN DEVELOPMENT DECADE TARGET OF 9.7 PERCENT. GIVEN CONGRESSIONAL ATTITUDES, THESE DIFFERENCES WILL CONTINUE. HOWEVER, THE SWEDES APPRECIATE THE SITUATION IN THE US BETWEEN THE ADMINISTRATION AND THE CONGRESS.

THE EMBASSY'S ROLE VIS--VIS THE GOS CONCERNING THE MANY ASPECTS OF THE NORTH-SOUTH DIALOGUE IS SUPPORTIVE OF INITIATIVES TAKEN BY US DELEGATIONS ELSEWHERE--GENEVA, PARIS, NEW YORK, ETC. US POLICY ON THESE ISSUES USUALLY INTERFACES WITH THE SWEDES AT CONFERENCES. WE HERE SHOULD BE KEPT MORE FULLY INFORMED THAN IN THE PAST IN ORDER, IF INSTRUCTED, TO UNDERTAKE PRE-CONFERENCE CONSULTATION IN  
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STOCKHOLM, AS WELL AS TO BETTER UNDERSTAND POST-CONFERENCE INFORMAL DISCUSSIONS WITH THE GOS. WE REALIZE IT IS OFTEN QUICKER FOR WASHINGTON TO APPROACH THE SWEDES ON THESE SUBJECTS BETWEEN CONFERENCES BY CALLING IN SWEDISH EMBASSY OFFICIALS. THIS EMBASSY IS NOT NORMALLY APPRAISED OF THESE APPROACHES, ALTHOUGH IT SHOULD BE.

HUMAN RIGHTS

THE HUMAN RIGHTS CAMPAIGN OF THE CARTER ADMINISTRATION, WHICH APPLIES A HUMANISTIC APPROACH TO INTERNATIONAL AFFAIRS, ACCORDS FULLY WITH SWEDISH PUBLIC OPINION AND OFFICIAL GOS POLICIES. INDEED, PERHAPS IN NO OTHER AREA HAVE SWEDISH AND US VIEWS COALESCED SO QUICKLY AND PRECISELY. THE OPPORTUNITIES FOR SOLID US- 23\$8 # :9)))-794-589, 9;34 5#3 NEXT SEVERAL YEARS ARE OBVIOUS. THE AMBASSADOR HAS PERSONALLY BEEN INVOLVED IN SEVERAL RECENT DEMARCHES ON HUMAN RIGHTS

ISSUES. THE NEW COOPERATION IS REFLECTED IN THE CURRENT UN HUMAN RIGHTS COMMISSION MEETING WHERE US AND GOS DELEGATIONS ARE CONSULTING A RANGE OF AGENDA INITIATIVES, INCLUDING POSSIBLE STOPS ON UGANDA, CAMBOBODIA, AND A CONVENTION ON THE PERVENTION OF TORTURE. WE UNDERSTAND THE GOS CSCE DELEGATION AT BELGRADE HAS BEEN MOST HELPFUL TO THE US IN ATTEMPTING TO IRON OUT EAST-WEST DIFFERENCES ON A FINAL DOCUMENT. AS WE PUSH OUR HUMAN RIGHTS CONCERNS IN THESE AND OTHER FORA, WE SHOULD NOT HESITATE TO EXPLOIT TO THE LIMIT SWEDISH CREDENTIALS IN THE THIRD WORLD AND ELSEWHERE THROUGH THE EARLIEST COLLABORATION.

A US HUMAN RIGHTS TEAM HAS CONSTRUCTIVE TALKS IN FEBRUARY WITH THE SWEDES ON THE HUMAN RIGHTS ISSUE WITHIN THE IFIS. SOME DEGREES OF DIFFERENCE BETWEEN US WERE HIGHLIGHTED, ALTHOUGH IN GENERAL WE AGREED ON THE DESIRABILITY OF FOLDING  
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HUMAN RIGHTS CONCERNS INTO IFI LENDING ACTIVITY AND AGREED AS WELL ON CONTINUING CLOSE ADVANCE CONSULTATIONS. ON THIS GLOBAL ISSUE, THE US CAN BE HELPFUL TO THE SWEDES AND INFLUENTIAL. EXCHANGES, EXCEPT FOR IBRD LOANS WHICH WOULD TAKE PLACE BETWEEN EXECUTIVE DIRECTORS, COULD TAKE PLACE IN STOCKHOLM.

DISARMAMENT

SWEDISH ACTIVISM AND A GADFLY ROLE IN THE DISARMAMENT FIELDS--IN THE CCD, THE UNGA FIRST COMMITTEE AND ELSEWHERE-- HAS NOT OFTEN BEEN WILDLY WELCOMED BY EITHER THE US OR THE USSR. SWEDISH APPRECIATION OF THE CARE AND CAUTION WHICH NECESSARILY MUST CHARACTERIZE US MOVES IN THIS CRITICAL AREA HAS NOT ALWAYS BEEN EVIDENT. AMBASSADOR INGA THORSSON AND COLLEAGUES ARE TRUE BELIEVERS IN THE POSSIBILITIES OF EARLIER, RATHER THAN LATER, SUPERPOWER AGREEMENT ON THE FUNDAMENTAL DISARMAMENT PROPOSALS-- ESPECIALLY A COMPREHENSIVE TEST BAN TREATY.

DESPITE OCCASIONAL IRRITATIONS, WE HOPE THORSSON AND OTHER SWEDISH EXPERTSWILL CONTINUE TO BE CONSULTED EARLY TO GAIN THEIR APPRECIATION OF THE RANGE OF THESE CONCERNS WHICH EXPLAIN WHY THE US CANNOT MOVE AS QUICKLY AS E WOULD LIKE. SUCH COLLABORATION IS ESSENTIAL DURING THE PRE-SSOD PERIOD. AS WASHINGTON IS AWARE, THERE IS UNLIKELY TO BE A MORE ACTIVE DELEGATION AT NEW YORK IN MAY THAN THE ONE LEAD BY THORSSON. WE HOPE, BUT ARE NOT QUITE REASSURED, THAT THE GOS ROLE WILL BE GENERALLY SUPPORTIVE OF OURS. WE ASK STATE AND ACDA NOT TO HESSITATE TO INSTRUCT THIS EMBASSY TO CONSULT SHOULD SERIOUS DIFFERENCES ARISE IN OUR RESPECTIVE POSITIONS.

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100876 191013Z /20/40

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3069

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

AMEMBASSY REYKJAVIK POUCH

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C O R R E C T E D C O P Y SECTION INFO (5 OF 11 VICE 5 OF 9)

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SCIENTIFIC AND TECHNICAL FIELDS

THESE CONCERNS EMBRACE BROAD SUBJECT AREAS SUCH AS  
NUCLEAR ENERGY (SAFEGUARDS, INSTALLATIONS, TRANSPORTATION,  
PLUTONIUM AND HEU ACCOUNTABILITY, EXCHANGE OF INFORMATION);  
ENVIRONMENT (OIL SPILLS, TOXIC CHEMICALS, EMISSION CONTROLS,  
TRANSNATIONAL AIR AND WATER POLLUTION); TELECOMMUNICATIONS;  
SPACE RESEARCH; TECHNOLOGY TRANSFER AND THE USE OF S&T FOR  
DEVELOPMENT; MARINE RESEARCH AND THE LAW OF THE SEA;  
NUCLEAR WEAPONS (NON-PROLIFERATION, DETECTION OF CLANDESTINE  
TESTING); CONTROL OF BIOLOGICAL AND CHEMICAL WEAPONS;  
INTERNATIONAL AGREEMENT ON THE CONDUCT OF GENETIC ENGINEERING  
RESEARCH AND DEVELOPMENT; AND THE SELECTION AND APPOINTMENT  
OF AMERICANS TO FILL INTERNATIONAL SCIENTIFIC POSTS.

THERE ARE NO MAJOR OR INSURMOUNTABLE POLICY DIFFERENCES  
IN ANY OF THESE AREAS BETWEEN THE US AND SWEDEN AT PRESENT  
AND NONE ARE EXPECTED TO DEVELOP OVER THE NEXT 12-24 MONTHS.

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IN FACT, THE CONGUECE OF US-SWEDISH POSITIONS ON NEARLY ALL ISSUES IS REMARKABLE. WE EXPECT A CONTINUED HIGH LEVEL OF DISCUSSION IN ALL S AND T FIELDS WITH THE SWEDES, ESPECIALLY IN MULTILATERAL FORA. WE CAN ACHIEVE SWEDISH SUPPORT BY CONTINUING TO PROVIDE ADVANCE INFORMATION ON OUR THINKING, MOTIVATION, AND PERCEIVED GOALS; USING EVERY OPPORTUNITY TO CONSULT SWEDISH POLICY-MAKERS AND DELEGATES TO INTERNATIONAL MEETINGS; AND SOLICITING GOS OPINIONS ON MAJOR POLICIES IN ADVANCE OF DECISION POINTS.

#### OTHER MULTILATERAL SUBJECTS

GOS INTEREST IN THE MTN TOKYO ROUND TALKS IN GENEVA IS INTENSE. WHILE PRESSURES TO NEGOTIATE ON SPECIFIC MTN ISSUES IS BEST EXERTED IN GENEVA, THIS EMBASSY SHOULD BE KEPT FULLY INFORMED, TO BETTER KEEP GOS FEET TO THE FIRE.

THERE IS A RANGE OF OCEAN SHIPPING ISSUES--US ANTI-TRUST ACTIONS--THE SOVIET BLOC THREAT--US POLLUTION AND SAFETY PROPOSALS--COORDINATION IN THE OECD ON THE TANKER GLUT AND SHIPBUILDING FACILITIES, ETC.--WHICH ARE ALSO DEBATED IN MULTILATERAL CONFERENCES. DIRECT RELATIONS BETWEEN US AGENCIES AND SWEDISH COUNTERPARTS (DOT--GOS MINISTRY FOR COMMUNICATIONS) OR WASHINGTON AND THE SWEDISH EMBASSY (THE "COTTON CLUB") TEND TO BYPASS THE EMBASSY. HERE WE NEED US POSITIONS PAPERS, BETTER INFORMATION ON WASHINGTON TALKS AND PROBABLY MORE US OFFICIALS VISITING STOCKHOLM--ALTHOUGH CONFERENCE-SITE ACQUAINTANESHIPS PLAY A STRONG ROLE. ABOVE ALL, AND AS WASHINGTON KNOS, THE GOS IS VERY SENSITIVE ABOUT UNILATERAL ACTIONS BY THE US WHICH ARE NOT PRECEDED BY CAREFUL CONSULTATION.

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(B) FACILITATE CONTACTS BETWEEN US AND SWEDISH EXPERTS IN THESE FIELDS TO MAXIMIZE MUTUAL UNDERSTANDING.

SUCH CONTACT IS A MAJOR FUNCTION OF THIS MISSION TO WHICH ALL ELEMENTS DEVOTE EXTRAORDINARY TIME, ATTENTION AND RESOURCES.

III. FURTHER SOLIDIFICATION OF OUR RESTORED BILATERAL RELATIONS.  
COURSES OF ACTION

(A) MAINTAIN CONTACTS WITH ALL SIGNIFICANT POLITICAL LEADERS INCLUDING THE LEADERSHIP OF THE OPPOSITION SOCIAL DEMOCRATS

AS IN OTHER AREAS OF EMBASSY RELATIONSHIPS, CONTACTS WITH SWEDISH POLITICAL LEADERS ALONG A BROAD SPECTRUM HAVE INCREASED IN NUMBER AND QUALITY OVER THE PAST TWO YEARS AS THE GENERAL CLIMATE OF SWEDISH-AMERICAN RELATIONS HAS IMPROVED. THE COMING TO POWER OF THE FALLDIN REGIME, WHICH FORCED TO THE SURFACE A NEW GENERATION OF NON-SOCIALIST LEADERS, HAS BROADENED OUR RESPONSIBILITY (BUT ACCELERATED AS WELL OUR ABILITY) TO CARRY OUT MEANINGFUL DIALOGUE WITH ALL TOP DECISION-MAKERS. EMBASSY CONTACTS WITH THE NON-SOCIALISTS, PARTICULARLY, HAVE EXPANDED SINCE THE 1976 ELECTION.

THE AMBASSADOR AND SENIOR STAFF HAVE MET SEVERAL TIMES WITH THE CHAIRMEN OF ALL POLITICAL PARTIES OVER THE PAST SIX MONTHS, SAVE LARS WERNER OF THE LEFT COMMUNIST PARTY (VPK). THESE HIGH-LEVEL CONTACTS AND THE SUBSEQUENT RAPPORT HAVE NOT BEEN DIFFICULT TO ESTABLISH AND WILL CONTINUE. EMBASSY OFFICERS HAVE INITIATED A CONTACT PROGRAM WITH THE VPK WHICH WILL BE CONTINUED SPORADICALLY.

WITH REGARD TO PALME AND TOP SOCIAL DEMOCRATS, THE EMBASSY'S EXPERIENCE HAS BEEN QUITE POSITIVE. THE AMBASSADOR

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HAS HAD TWO LONG MEETINGS WITH THE FORMER PRIME MINISTER AND IS PLANNING SEVERAL MORE. HE AND SENIOR STAFF HAVE ALSO MAINTAINED FREQUENT CONTACT WITH RECOGNIZED SDP LEADERS AND SEVERAL, IN FACT, WILL PARTICIPATE IN THE FY 79 IV PROGRAM (EX-MINISTERS KJELL-OLOF FELDT AND INGVAR CARLSSON,

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 ONY-00 /028 W  
-----100922 191028Z /20

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3070

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH  
AMEMBASSY REYKJAVIK POUCH

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AS WELL AS BERNT CARLSSON, FORMER SDP INTERNATIONAL SECRETARY AND NOW SECRETARY GENERAL OF THE SOCIALIST INTERNATIONAL). WE SEE NO INDICATION WHATEVER THAT THE MORE SYMPATHETIC ATTITUDE OF PALME AND THE SDP TOWARD THE US SINCE VIETNAM HAS DETERIORATED NOW THAT THE SOCIAL DEMOCRATS ARE IN OPPOSITION. THE CHANGE IN US ADMINISTRATION HAS, IN FACT, NARROWED CONSIDERABLY THE GREAT GULF WHICH ONCE PREVAILED IN RELATIONS WITH THE SDP. THIS RAPPROCHEMENT IN SIGNIFICANT AND IMPORTANT SHOULD CIRCUMSTANCES DICTATE A CHANGE OF GOVERNMENT BEFORE OR AS A RESULT OF THE SEPTEMBER 1979 ELECTIONS. A HIGH PRIORITY MISSION GOAL, THEREFORE, IS THE CONTINUED CULTIVATION OF PALME AND HIS COLLEAGUES.

FOUR OF THE FIVE POLITICAL PARTIES REPRESENTED IN THE RIKSDAG WILL HOLD THEIR PARTY CONGRESSES IN 1978; ONE (VPK) DID SO IN JANUARY. ASSUMING THAT OLA ULLSTEN REPLACES PER AHLMARK AS LIBERAL PARTY LEADER IN MARCH, NO OTHER MAJOR CHANGES OF LEADERSHIP ARE ANTICIPATED, AND CERTAINLY NONE  
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THAT WILL AFFECT US INTERESTS IN SWEDEN ADVERSELY.

(B) DEVELOP THE YOUTH PROGRAM TO REACH FUTURE SWEDISH LEADERS ALL ACROSS THE POLITICAL SPECTRUM, INCLUDING THOSE DISAFFECTED WITH THE US DURING THE VIETNAM ERA

SINCE HIS ARRIVAL, THE AMBASSADOR HAS MADE CLEAR THAT THE CULTIVATION OF SWEDISH YOUTH LEADERS IS HIGH AMONG HIS PRIORITIES. HE HAS ORGANIZED AN EMBASSY YOUTH COMMITTEE TO IDENTIFY YOUTH LEADERS AND ORGANIZATIONS MORE PRECISELY AND HAS ENSURED THAT SUCH LEADERS ARE INCREASINGLY INVOLVED IN EMBASSY ACTIVITIES. DURING THE VISIT OF AMBASSADOR ANDREW YOUNG IN NOVEMBER, FOR EXAMPLE, THE AMBASSADOR WAS ABLE TO INTRODUCE YOUNG TO THE NATIONAL LEADERS OF THE NON-COMMUNIST POLITICAL YOUTH ORGANIZATIONS. THE OCCASION MARKED THE FIRST TIME, BUT CERTAINLY NOT THE LAST, THAT THESE ORGANIZATIONS HAD BEEN REPRESENTED AT THE US EMBASSY IN MANY YEARS. SIMILARLY, THE AMBASSADOR AND STAFF HAVE INITIATED MEETINGS WITH THE SWEDISH YOUTH COUNCIL (SUL)--THE SUL IS THE UMBRELLA STRUCTURE EMBRACING MAJOR SWEDISH YOUTH

ORGANIZATIONS, WITH A TOTAL MEMBERSHIP IN THE HUNDREDS OF THOUSANDS, AND THE SWEDISH MEMBER ORGANIZATION IN THE COUNCIL OF EUROPEAN NATIONAL YOUTH COMMITTEES (CENYC).

VIETNAM, WATERGATE, CIA FUNDING OF US AND FOREIGN STUDENT AND YOUTH ORGANIZATIONS IN THE 60S AND PERHAPS OTHER FACTORS LARGELY EXPLAIN THE ESTRANGEMENT OF SWEDISH YOUTH WITH AMERICAN POLICIES AND LEADERSHIP. THEIR REMOVAL AND THE RECENT REEMPHASIS IN US FOREIGN POLICY ON MORALITY AND CONCERN OVER HUMAN RIGHTS VIOLATIONS HAVE PROVIDED OPPORTUNITIES FOR TARGETING AGAIN ON SWEDISH YOUTH. WHILE SUSPICIOUS OF SOME US POLICY MOTIVATION  
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LINGERS, IT CANNOT COMPARE WITH THE CLIMATE ONLY TWO YEARS AGO AND THE EMBASSY ANTICIPATES THAT EXPLOITATION OF THESE OPPORTUNITIES WILL BRING POSITIVE RESULTS. ALL ELEMENTS OF THE MISSION HAVE BEEN SENSITIZED TO THE PRIORITY OF THIS GOAL. OFFICERS AND PROGRAM RESOURCES ARE TO BE EMPLOYED IN A CONTINUING MANNER TO REACH YOUTH AUDIENCES IN THE POLITICAL, ECONOMIC, LABOR, CULTURAL AND MILITARY FIELDS. YOUTH LEADERS WILL CONTINUE TO PARTICIPATE IN THE IV PROGRAM. IN REACHING OUR OBJECTIVES, WE WOULD BE GRATEFUL FOR SUGGESTION FROM THE WASHINGTON AGENCIES, PARTICULARLY ON WAYS TO FACILITATE RELATIONS BETWEEN SWEDISH AND US YOUTH GROUPS, BOTH ON A BILATERAL BASIS AND WITHIN THE INTERNATIONAL YOUTH ORGANIZATIONS SUCH AS CENYC. WE ARE NOT UNAWARE OF THE COMPLEXITIES INVOLVED, NOT LEAST IN IDENTIFYING US YOUTH ORGANIZATIONS AND LEADERS SERIOUSLY INTERESTED IN  
43)-589, #80 285# 5#3 .943 :3,54-)8"3\$ 23\$8 # 6975#  
.9;3.3.5. WE WISH TO EMPHASIZE, HOWEVER, THAT THE ENVIRONMENT FOR SUCH CONTACT HAS BRITENED AND THAT THE FOSTERING OF CLOSER TIES BETWEEN FUTURE LEADERS OF BOTH COUNTRIES WILL MOST CERTAINLY PROMOTE AN OUTLOOK IN SWEDEN COMPATIBLE WITH OUR OWN INTERESTS.

(C) INCREASE CONTACTS WITH SWEDISH TRADE UNION LEADERSHIP AND STIMULATE A GENUINE DIALOGUE BETWEEN SWEDISH AND AMERICAN LABOR MOVEMENTS THROUGH INCRRASED EXCHANGES OF VISITS.

IN THE LABOR MARKET AREA, SWEDEN IS NO DOUBT ONE OF THE MORE INTENSIVELY ORGANIZED SOCIETIES IN THE INDUSTRIALIZED WESTERN WORLD. VIRTUALLY EVERY SWEDE IN THE LABOR MARKET, FROM FACTORY WORKERS TO PROFESSOR, EVEN TO DIPLOMAT, IS A MEMBER OF A MAJOR TRADE UNION CONFIGURATION. SWEDISH LABOR LEADERS ARE, CONSEQUENTLY, POWERFUL AND INFLUENTIAL FORCES IN THE SOCIETY. WHILE PRIMARY TIES ARE TO THE OPPOSITION SOCIAL DEMOCRATIC PARTY, A NON-SOCIALIST



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GOVERNMENT IGNORES THE POTENT VOICE OF LABOR AT ITS PERIL. IT IS A SOPHISTICATED LABOR MOVEMENT, MOREOVER, WITH BROAD INVOLVEMENT INTERNATIONALLY. SWEDISH LABOR'S WIDE INTERNATIONAL CONTACTS MAKE IT A POTENTIALLY MODERATING INFLUENCE, EXPECIALLY IN THE THIRD WORLD AND ITS RELATIONS WITH LESS STABLE AREAS IN EUROPE (E.G., SPAIN, PORTUGAL, ITALY). THE SOCIALIST CREDENTIALS OF SWEDISH TRADE UNION LEADERS MAKE THEM AN ATTRACTIVE ALTERNATIVE IN THEIR CONTACTS WITH THE NON-COMMUNIST TRADE UNION MOVEMENT. THUS, SWEDISH LABOR CAN SERVE AS AN EFFECTIVE BRIDGE OF WESTERN DEMOCRATIC VALUES AND EXPERIENCES TO AREAS WHERE THESE VALUES ARE IN DOUBT OR NOT FIRMLY ANCHORED.

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ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 SS-15 /028 W  
-----086490 180554Z /65

R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3071

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

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THE FOREIGN POLICY VIEWS OF SWEDISH LABOR HAVE OFTEN RUN COUNTER TO THOSE OF ITS AMERICAN COUNTERPART, BUT WITH VIETNAM MEMORIES FADING AND HOPES FOR THE EARLY RETURN OF THE US TO THE ILO AND THE AFL-CIO TO THE ICFTU, THERE IS HEIGHTENING INTEREST ON THE SWEDISH SIDE IN CONDUCTING A SERIOUS DIALOGUE ON SUBJECTS OF MUTUAL INTEREST. GIVEN

THE INDISPUTABLE IMPORTANCE OF THE SWEDISH LABOR MOVEMENT,  
THIS DIALOGUE SHOULD BE ENCOURAGED.

LAST YEAR'S INTERCHANGE WAS MOST USEFUL. ASIDE  
FROM THE VISIT OF SEVERAL PROMINENT US LABOR LEADERS TO  
STOCKHOLM, THE DIALOGUE TOOK MAJOR STEP FORWARD  
WITH THE VISITS OF DEPUTY UNDER SECRETARY HOWARD SAMUEL  
IN JUNE AND SECRETARY MARSHALL IN OCTOBER. AMBASSADOR  
ANDREW YOUNG, ON A SWING THROUGH STOCKHOLM IN NOVEMBER,  
CONDUCTED AN EFFECTIVE EXCHANGE OF VIEWS WITH TOP SWEDISH  
LABOR FIGURES ON PROBLEMS IN AFRICA, A SUBJECT OF INTENSE  
CONCERN TO SWEDISH LABOR. A DELEGATION REPRESENTING  
THE US YOUTH COUNCIL LABOR DESK VISITED IN SEPTEMBER AND  
PROPOSED AN AFL-CIO/SWEDISH EXCHANGE OF YOUNG LABOR OFFICIALS,  
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AN IDEA THE EMBASSY ENDORSES AS A VALUABLE MEANS OF  
REACHING EVEN DEEPER INTO THE LABOR MOVEMENT. WE HAVE,  
OF COURSE, IDENTIFIED FUTURE LEADERS IN THE LABOR FIELD  
FOR IV LEADERSHIP GRANTS.

SWEDISH LABOR LEADERS HAVE, FOR THEIR PART, BEEN  
TRAVELLING TO THE US FOR MEETINGS WITH COUNTERPARTS ON  
AN ACCELERATING BASIS. THIS CLIMAXED IN DECEMBER WHEN  
A FOUR-MAN SWEDISH DELEGATION, LED BY CHAIRMAN GUNNAR NILSSON  
OF THE SWEDISH CONFEDERATION OF TRADE UNIONS (LO), ATTENDED  
THE AFL-CIO CONVENTION IN LOS ANGELES.

NOTWITHSTANDING ITS MANY PROBLEMS TODAY, SWEDEN IS  
STILL REGARDED BY MANY IN THE INDUSTRIALIZED WEST AS A  
PROGRESSIVE SOCIAL LABORATORY. INCREASED CONTACT WITH  
US LABOR AND WELFARE REPRESENTATIVES COULD PROVIDE A  
USEFUL LEARNING EXPERIENCE FOR OUR OWN COUNTRY--PART  
OF THE "TWO-WAY STREET" OF CULTURAL INTERCHANGE THAT  
WE WISH TO PURSUE.

AS WITH THE AMELIORATION OF RELATIONS WITH THE  
SOCIAL DEMOCRATS AND SWEDISH YOUTH, THE EMBASSY IS  
GENUINELY CONVINCED THAT EFFORTS FOCUSED ON THE IMPORTANT  
TRADE UNION MOVEMENT WILL BEAR FRUIT. ONGOING ACTIVITY  
INCLUDES FACILITATIVE ASSISTANCE TO LABOR LEADERS AND  
MEDIA LABOR MARKET EXPERTS WHO VISIT THE US, AND THE  
PROGRAMMING BY USIS OF LABOR-RELATED VOLUNTARY SPEAKERS.  
WE CONTINUE TO CALL UPON STATE, LABOR AND USIS TO  
URGE LEADING US TRADE UNION LEADERS WHO WILL BE OTHERWISE  
IN EUROPE TO SCHEDULE STOPS IN SWEDEN AS WELL. THE  
AMBASSADOR HAS MET SEVERAL TIMES WITH TOP LO-TCO LEADERS  
AND IT IS EVIDENT HIS PERSONAL COMMITMENT TO IMPROVING  
RELATIONS WITH SWEDISH LABOR IS KNOWN AND APPRECIATED.  
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WE RECOGNIZE SWEDISH AND US LABOR WILL CONTINUE TO DIFFER ON CERTAIN ISSUES, PARTICULARLY US MEMBERSHIP IN THE ILO. THE EXCHANGES OF THE PAST YEAR, HOWEVER, AND THE RENEWED EMBASSY INTEREST IN THE SWEDISH LABOR MARKET HAVE INCREASED THE UNDERSTANDING OF, AND RESPECT FOR, THE RESPECTIVE POSITIONS OF OUR LABOR MOVEMENTS. THE MAINTENANCE OF THIS MOMENTUM WILL CONTINUE TO BE AMONG THE HIGHEST PRIORITIES OF THE MISSION.

(D) DEEPEN SUBSTANTIVE CONTACTS WITH SWEDISH INTELLECTUALS AND MEDIAL LEADERS, ON IMPORTANT MATTERS OF SWEDISH OPINION, INFORMING THEM AS FULLY AND FRANKLY AS POSSIBLE ABOUT US DEVELOPMENTS

THIS EFFORT, OF COURSE, IS KEY TO THE PROCESS OF FURTHER SOLIDIFYING OUR BILATERAL RELATIONS. A LARGE PERCENTAGE OF TOTAL MISSION RESOURCES, AND PARTICULARLY THOSE OF USIS, ARE DEVOTED TO REACHING THIS SEGMENT OF SWEDISH OPINION. THEY RANGE BROADLY FROM CULTURAL EXCHANGE AND SPEAKER PROGRAMS, MOST AMERICAN CENTER EVENTS, EXHIBITS AND PERFORMING ARTISTS, ALL INFORMATION ACTIVITIES (AMERICAN JOURNALIST VISITS, NATO ORIENTATION TRIPS, AND WIRELESS FILE BACKGROUNDS) AND SPEECHES TO SELECTED AUDIENCES BY THE AMBASSADOR, THE CONSUL GENERAL AT GOTEBOURG AND OTHER EMBASSY OFFICERS. THE INTELLECTUAL-MEDIA GROUP ALSO ENJOYS A LARGE PROPORTION OF THE MISSION'S IV GRANTS AND FACILITATIVE ASSISTANCE PROGRAMS. AS A RESULT, EMBASSY CONTACTS IN THIS AREA ARE EXCEPTIONALLY BROAD AND NO MAJOR CATEGORY OF LEADERSHIP HAS BEEN IGNORED.

THANKS TO THE COOPERATION OF WASHINGTON AGENCIES AND OTHER EUR POSTS, OUR EFFORTS OVER THE PAST TWELVE MONTHS TO BRING AMERICAN EXPERTS IN COUNTLESS FIELDS BEFORE SWEDISH AUDIENCES WERE OUTSTANDINGLY SUCCESSFUL. RECEPTIVITY HAS BEEN HEART-WARMING. OUR ABILITY TO PURSUE US POLICY INTERESTS, NATURALLY, IS DEPENDENT TO A DEGREE ON RESOURCES PROVIDED BY  
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WASHINGTON. IN THIS CONNECTION, WE WISH TO UNDERLINE THE USEFULNESS AND IMPORTANCE OF TOP-LEVEL SPECIALISTS WHO CAN BE PROGRAMMED IN SWEDEN ON AREAS OF MOST IMMEDIATE INTEREST TO US FOREIGN POLICY OBJECTIVES. THE SHORT VISIT OF ALLARD LOWENSTEIN IN 1977, FOR EXAMPLE, YIELDED A MOST USEFUL MEETING WITH OLOF PALME AND A TV INTERVIEW. SHOULD THE US DECIDE TO DEPLOY THE NEUTROL WARHEAD, WE

WOULD FORESEE A DEFINITE NEED FOR SPECIALISTS TO ADDRESS THE PROBLEMS OF WESTERN DEFENSE RAISED BY THE CONTROVERSY OVER THE WEAPON TO SWEDISH AUDIENCES. ANY OTHER TIME A POLICY DECISION IS TAKEN WHICH HAS A SIMILAR EFFECT ON SWEDISH PUBLIC OPINION, WE WOULD EMPHASIZE THE USEFULNESS OF OUTSTANDING SPECIALISTS TO ADDRESS THEMSELVES TO THE QUESTION AT HAND BEFORE SWEDISH AUDIENCES.

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ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 SS-15 /028 W  
-----086657 180555Z /61

R 171110Z FEB 78

FM AMEMBASSY STOCKHOO

TO SECSTATE WASHDC 3072

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

AMEMBASSY REYKJAVIK POUCH

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SINCE HIS ARRIVAL, THE AMBASSADOR HAS MET LITERALLY THOUSANDS OF PROMINENT SWEDES, GREAT NUMBERS OF WHOM FIT EASILY INTO VARIOUS OPINION-MAKING CATEGORIES (MEDIA; ACADEMIA, THE POLITICAL PARTIES AND THE LABOR AND YOUTH/ STUDENT GROUPS) WITH ALL MISSION ELEMENTS PARTICIPATING, IT IS HIS PURPOSE OVER THE NEXT 12-24 MONTHS TO BUILD ON THE CONSIDERABLE CONTACT BASE WHICH NOW SO HAPPILY EXISTS.

AN IMPORTANT COMPLEMENT OF EMBASSY EFFORT IN THIS AREA IS REPRESENTED BY THE WILLINGNESS OF OFFICERS OF STATE, LABOR, USIA, DOD, NSC, USUN AND OTHER AGENCIES TO RECEIVE AND BRIEF THE MANY GOS OFFICIALS AND PRIVATE SECTOR REPRESENTATIVES WHO ARE FREQUENTLY IN THE US. WE ARE INDEBTED TO THOSE IN WASHINGTON AND NEW YORK WHO HAVE PARTICIPATED IN REVIEWING US POLICIES AND CONCERNS FOR THE BENEFIT OF SWEDISH VISITORS.

(E) INCREASE CONTACT WITH LEADERSHIP CIRCLES OUTSIDE  
OF STOCKHOLM BY INCREASED TRAVEL BY EMBASSY OFFICER.

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GIVEN THE RATHER HIGHLY CENTRALIZED NATURE OF SWEDISH  
POLITICAL AND ECONOMIC LIFE, CENTERED IN STOCKHOLM, THERE  
ARE DEFINITE LIMITS TO THE PRACTICAL ADVANTAGES TO BE  
GAINED FROM EXTENSIVE TRAVEL. SWEDISH DECISION-MAKING  
CAPABLE IN AFFECTING US INTERESTS HERE LARGELY FUNCTIONS  
IN AGENCIES AND INDIVIDUALS HEADQUARTERED IN THE CAPITAL.  
WE SHOULD HASTEN TO ADD, HOWEVER, THAT TRAVEL WITHIN SWEDEN  
BY EMBASSY OFFICERS AND THE CONSUL GENERAL AT GOTEBOURG IS  
IMPORTANT TO OVERALL EFFORTS TO IMPROVE BILATERAL RELATIONS.  
IN ADDITION TO THE OBVIOUS PUBLIC RELATIONS VALUE OF SUCH  
TRAVEL, OBSERVATIONS GAINED FROM VISITS OUTSIDE STOCKHOLM  
PROVIDE INSIGHT INTO PROVINCIAL ATTITUDES TOWARDS GOVERNMENT  
POLICIES AND PROGRAMS WHICH ARE NOT ALWAYS FAITHFULLY  
RECORDED BY THE MEDIA. SIMILARLY, ON-THE-SPOT DISCUSSIONS  
WITH BUSINESSMEN, TRADE UNIONS, ACADEMIC AND POLITICAL FIGURES  
CAN REVEAL PROBLEMS LARGELY IGNORED IN BOTH STOCKHOLM AND  
GOTEBOURG. GIVEN THE INTRACTABILITY OF SWEDEN'S CURRENT  
ECONOMIC RECESSION AND THE IMPORTANCE OF OUR BILATERAL  
TRADE AND US INVESTMENT IN THIS COUNTRY, INCREASING TRAVEL  
BY THE EMBASSY'S ECONOMIC AND COMMERCIAL OFFICERS IS  
PARTICULARLY APPROPRIATE.

BEGINNING SHORTLY AFTER HIS ARRIVAL, THE AMBASSADOR  
BEGAN A SERIES OF VISITS TO SELECTED AREAS SUFFERING  
PARTICULARLY SEVERELY FROM THE ECONOMIC SLUMP. HE PLANS  
TO CONTINUE SUCH VISITS THROUGHOUT 1978. HE HAS ENCOURAGED  
OTHER OFFICERS TO SUPPLEMENT HIS OWN TRAVEL BY GETTING  
AWAY FROM STOCKHOLM WHENEVER THEIR RESPONSIBILITIES PERMIT.  
THE EXISTENCE OF A CONSULATE GENERAL AT GOTEBOURG PROVIDES  
ANOTHER BASE AND THUS GREATER OPPORTUNITY FOR TRAVEL AND  
SPEECH-MAKING OUTSIDE THE CAPITAL. THE CONSUL GENERAL  
HIMSELF IS ENGAGED IN AN EXTENSIVE SPEAKING TOUR THROUGHOUT  
THE CONSULAR DISTRICT.

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(F) CONTINUE AN ACTIVE US EXPORT PROGRAM THROUGH THE  
COUNTRY COMMERCIAL PROGRAM

AT THE TIME OF WRITING, THE EMBASSY'S ABILITY TO  
ACCOMPLISH THIS OBJECTIVE IS UNCERTAIN. THE STOCKHOLM

TRADE CENTER, FOR YEARS THE MOST ESSENTIAL TOOL IN THE CCP, HAS BEEN ORDERED CLOSED ON GROUNDS OF ECONOMY ON JUNE 30. A STRONG RESTRUCTURED COMMERCIAL SECTION HAS NOT YET BEEN APPROVED, AS TO FUNDING OR POSITIONS. A POSSIBILITY EXISTS THAT CONGRESS WILL PROVIDE SUPPLEMENTAL FUNDING TO EXTEND THE STC. THE EMBASSY BELIEVES THE US EXPORT GOAL IS BEST SERVED BY CONTINUING THE STC, AND HAS SOUGHT HELP FROM EUR AND THE DEPUTY SECRETARY. WE NEED AN EARLY DECISION BY WASHINGTON.

IN ABSOLUTE TERMS, US EXPORTS TO SWEDEN HAVE BEEN RISING BY ABOUT 18 PERCENT ANNUALLY. MORE SIGNIFICANTLY, THE US SHARE OF THE SWEDISH MARKET HAS RISEN FROM 6-1/2 TO 7-1/2 PERCENT OVER THE PAST TWO YEARS. AS SUCH, IT IS ONE OF ONLY THREE OF THE WORLD'S TEN MAJOR INDUSTRIALIZED MARKETS WHERE THIS HAS HAPPENED. WHILE MANY FACTORS HAVE CONTRIBUTED TO THIS INCREASE, IT IS CLEAR THAT THE STC HAS PLAYED A SIGNIFICANT ROLE.

THE CCP FOR THIS FISCAL YEAR HAS BEEN EFFECTIVELY IMPLEMENTED; THE FY79 CCP IS IN PREPARATION. FINAL DECISIONS CONCERNING THE FUTURE COMMERCIAL SECTION ARE NEEDED BEFORE THIS PLAN CAN BE DRAWN IN COMPLETED FORM. IN ANY EVENT, EMBASSY RESOURCES WILL BE CONCENTRATED ON SEEKING OUR BEST MARKETS FOR US PRODUCTS--USUALLY IN THE HIGH TECHNOLOGY AREAS.

(G) ENCOURAGE HIGH-LEVEL VISITS IN BOTH DIRECTIONS, AS A CONTRIBUTION TO MUTUAL UNDERSTANDING AT THE POLICY LEVEL.

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THE BUSY EXCHANGE OF HIGH-LEVEL VISITS OVER THE LAST TWELVE MONTHS IS ELOQUENT TESTIMONY TO THE HAPPY "NORMALITY" WHICH CHARACTERIZES SWEDISH-AMERICAN RELATIONS TODAY. SEVEN SWEDISH CABINE MEMBERS, NUMBERS OF PARLIAMENTARIANS AND A HOST OF OTHER INFLUENTIAL GOVERNMENT LEADERS IN A VARIETY OF FIELDS VISIT WASHINGTON IN 1977. WE WERE PARTICULARLY PLEASED WITH THE RECEPTION OF FOREIGN MINISTER SODER AT STATE AT MID-YEAR AND OF MINISTER OF ECONOMY BOHMAN AT TREASURY.

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ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 SS-15 /028 W  
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R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3073

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HELSINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

AMEMBASSY REYKJAVIK POUCH

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FOR EUR ONLY

THE VISITS OF SECRETARY MARSHALL, ANDREW YOUNG, BARBARA BLUM, EX-SENATOR FULBRIGHT AND LITERALLY DOZENS OF OTHER ADMINISTRATION SPOKESMEN AND TECHNICAL EXPERTS WERE TREMENDOUSLY HELPFUL. WE KNOW THE SYMBOLIC IMPORTANCE OF THESE VISITS IS NOT OVERLOOKED IN PUBLIC OPINION. WE WARMLY WELCOME THE POSSIBLE VISIT TO SWEDEN THIS YEAR OF VICE PRESIDENT AND MRS. MONDALE AND WOULD HOPE THAT OTHER HIGH-LEVEL AMERICAN OFFICIALS TRAVELLING OTHERWISE IN EUROPE WILL CONSIDER ADDING STOCKHOLM OR GOTEBOG TO THEIR ITINERARIES.

RELATIONS WITH THE FALLDIN COALITION THUS FAR HAVE REINFORCED THE EMBASSY'S PREVIOUS ASSERTION THAT THE US IS UNLIKELY TO HAVE A FRIENDLIER AND MORE SYMPATHETIC SWEDISH GOVERNMENT TO DEAL WITH. RECEIVING SWEDISH CABINET MEMBERS WHO WISH TO ENGAGE IN SUBSTANTIVE DISCUSSIONS ON MUTUAL CONCERNS GIVES PUBLIC RECOGNITION TO THAT FACT.

WE BELIEVE THE TIME HAS COME TO CONSIDER SERIOUSLY

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EXTENDING AN INVITATION TO PRIME MINISTER FALLDIN TO PAY AN OFFICIAL VISIT TO WASHINGTON, PREFERABLY TO TAKE PLACE THIS FALL. (NO ONE HERE CAN RECALL THE LAST OFFICIAL VISIT TO WASHINGTON BY A SWEDISH PRIME MINISTER.) THE PM HAS TRAVELLED LITTLE SINCE TAKING OFFICE--TO THE OTHER NORDIC COUNTRIES, AUSTRIA AND, IN APRIL, TO POLAND--GIVEN HIS INTSNSE PREOCCUPATION WITH THE ECONOMY AND ENERGY POLICY.

FALLDIN'S DIFFICULTIES AND HIS PROSPECTS FOR SURVIVAL HAVE BEEN MENTIONED EARLIER. WHILE DIFFICULT TO CALL, WE HAVE PREDICTED THAT FALLDIN WILL EVENTUALLY BITE THE NUCLEAR BULLET, COMPROMISE BY EARLY FALL AND THEREBY KEEP THE REGIME INTACT THROUGH SEPTEMBER 1979. IF THE ENERGY DISPUTE CAN BE RESOLVED, WE BELIEVE FALLDIN WOULD HAVE AT LEAST A 50-50 CHANCE OF REELECTION.

WE BELIEVE A VISIT TO THE US WOULD HAVE SEVERAL ADVANTAGES: IN MARKING THE RESTORATION OF CLOSE, FRIENDLY RELATIONS WITH A KEY COUNTRY IN THE NORDIC BALANCE AND IN LENDING BALANCE TO SEVERAL PLANNED SWEDISH-EAST BLOC VISITS. IN ADDITION TO FALLDIN'S TRIP TO POLAND IN APRIL, THE KING AND QUEEN AND FM SODER WILL VISIT THE USSR IN JUNE AND, WE UNDERSTAND, KOSYGIN WILL PAY AN OFFICIAL VISIT TO SWEDEN NEXT YEAR. FALLDIN'S VISIT WOULD ALSO ENABLE US TO PROVIDE HIM AT FIRST-HAND HIS FIRST THOROUGH APPRECIATION OF US POLICIES AND PROGRAMS IN THE ENERGY FIELD, PARTICULARLY THOSE RELATED TO NUCLEAR ENERGY. LAST YEAR'S INTER-AGENCY REVIEW OF POLICY TOWARD SWEDEN AGREED THAT THE QUESTION OF AN OFFICIAL VISIT BY FALLDIN SHOULD BE LEFT TO 1978. THAT DECISION ACCORDED WITH THE MISSION'S OWN VIEW AT THE TIME. WE BELIEVE FALLDIN WOULD BE RECEPTIVE TO A US INVITATION--FOR MANY OF THE SAME REASONS OUTLINED ABOVE--AND ASK THAT WASHINGTON BEGIN CONSIDERATION OF THE PROPOSAL.

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(H) REPORT FULLY ON DEVELOPMENTS ON THE DOMESTIC SWEDISH NUCLEAR ISSUE, TO ASSIST WASHINGTON TO ADMINISTER US POLICY IN A MANNER WHICH WILL NOT EXACERBATE THIS SENSITIVE POLICY SUBJECT IN SWEDEN

THE EMBASSY WILL CONTINUE TO REPORT FULLY ON THE POLITICAL AND TECHNICAL ISSUES IN THE NUCLEAR DEBATE IN SWEDEN. THE GOVERNMENT IS FACING A SERIES OF CRUCIAL DECISIONS ON NUCLEAR ENERGY POLICY OVER THE NEXT YEAR WHICH ARE LIKELY TO INFLUENCE GREATLY THE SHAPE OF TOTAL ENERGY POLICY OVER THE LONG RUN. IT IS POSSIBLE, BUT ONLY POSSIBLE, THAT THE ANGI-NUCLEAR CENTER PARTY CAN BE CONVINCED TO COMPROMISE WITH ITS MODERATE AND LIBERAL COALITION COLLEAGUES TO PERMIT THE EVENTUAL FULL FUNCTIONING OF 10 AND POSSIBLE 11 REACTORS BY THE MID-80S. TWO KEY DECISIONS LOOM: RINGHALS 3 (THE SEVENTH SWEDISH REACTOR, BUT THE FIRST REQUIRED TO MEET STIPULATIONS OF THE CONDITIONS ACT), WHICH WAS NOT LOADED ON SCHEDULE ON FEBRUARY 1; AND FORSMARK 3 (THE ELEVENTH REACTOR), THE FURTHER CONSTRUCTION OF WHICH REPRESENTS A SUPREME CHALLENGE TO FALLDIN BECAUSE OF HIS PREVIOUSLY UNCONDITIONAL



OPPOSITION TO IT.

WHATEVER THE ULTIMATE DECISIONS ON THESE AND OTHER NUCLEAR REACTORS IN SWEDEN, THEY DO NOT REPRESENT MAJOR POLICY ISSUES FOR THE US. WE MUST CONTINUE TO AVOID DIRECT INVOLVEMENT IN THESE IMMEDIATE CASES. OVER THE BROADER RANGE OF SWEDISH NUCLEAR ISSUES, OF COURSE, THE USE IS INTIMATELY INVOLVED AND THERE ARE PROBLEMS IN SIGHT, TO WIT:

NUCLEAR FUELS. AT THE MOMENT, SWEDEN IS ALMOST ENTIRELY DEPENDENT ON US ENRICHED URANIUM AND HIGHLY ENRICHED URANIUM (HEU) FOR ITS REACTORS. THE SUPPLY OF THESE FUELS IS COVERED BY CONTRACT UP TO 1996. (SWEDEN HAS A CONTRACT FOR THE SUPPLY OF ENRICHED URANIUM WITH THE SOVIETS BEGINNING  
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IN 1979; HOWEVER, SWEDEN MUST SUPPLY THE NATURAL URANIUM TO THE USSR FOR ENRICHMENT.) US POLICY ON THE SUPPLY OF HEU IS BEING TIGHTENED AND IT MAY BECOME MORE DIFFICULT FOR THE SWEDES TO OBTAIN FUEL FOR THE RESEARCH REACTOR AT STUDSVIK. THE US SHOULD CAREFULLY CONSIDER AND ACT EXPEDITIOUSLY ON SWEDISH REQUESTS FOR HEU IN ORDER TO AVOID DISRUPTION OF RESEARCH PROGRAMS AND RESEARCH REACTOR SHUT-DOWN, BOTH OF WHICH ARE EXPENSIVE AND UNPRODUCTIVE. APPROVAL OF THE GOS REQUEST OF A YEAR AGO FOR HEU FOR THE STUDSVIK REACTOR SHOULD BE EXPEDITED.

REPROCESSING OF SPENT NUCLEAR FUELS. THE US POLICY OF AVOIDING REPROCESSING, UNLESS A "DIRE" NEED CAN BE DEMONSTRATED, HAS ALREADY BECOME AN ISSUE IN SWEDEN. THE SYDKRAFT-COGEMA CONTRACT'S FUTURE DEPENDS ON WHETHER

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ACTION EUR-12

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R 171110Z FEB 78  
FM AMEMBASSY STOCKHOLM  
TO SECSTATE WASHDC 3080

INFO AMEMBASSY COPENHAGEN POUCH  
AMEMBASSY HESLINKI POUCH  
USMISSION USNATO POUCH  
AMEMBASSY OSLO POUCH  
AMEMBASSY REYKJAVIK POUCH

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THE US WILL GRANT SWEDEN PERMISSION TO SHIP SPENT FUEL TO FRANCE (WHETHER IN 1979 OR LATER). THE PRESS HAS ALREADY COMMENTED ON THE "CONTROL" THE US (AND OTHER COUNTRIES) EXERCISES THROUGH "CONDITIONS ON TERMS OF DELIVERY" OF MATERIALS AND HAS IMPLIED THAT THESE CONDITIONS CONSTITUTE INTERFERENCE IN SWEDEN'S DOMESTIC POLICIES. THE ESTABLISHMENT OF THE INFCE STUDIES HAS PROVIDED A BREATHING SPACE FOR US POLICY BUT THE SWEDISH "PROBLEM" WILL AGAIN BE TOPICAL IN LATE 1979.

URANIUM MINING. THE SWEDES HAVE A LARGE SHARE OF THE NATURAL URANIUM SUPPLIES OF THE WORLD (PROBABLY THIRD OR FOURTH IN THE WORLD'S POTENTIAL SUPPLIERS OF URANIUM) WITH AN ESTIMATED 300,000 TONS IN THE BILLINGEN SHALES AND A NEW FIND ESTIMATED AT 518,000 TONS NEAR VILHELMINA IN JAMTLAND. THE GOVERNING CENTER PARTY IS OPPOSED THUS FAR TO EXPLOITING THESE DEPOSITS. NEVERTHELESS, IT IS POSSIBLE THAT THE FALLDIN GOVERNMENT EVENTUALLY (AND A SOCIAL DEMOCRATIC GOVERNMENT CERTAINLY) WILL BEGIN TO TAP THESE RESOURCES FOR DOMESTIC USE AS WELL AS  
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EXPORT TO EUROPE. IF THE SWEDES OPT FOR THIS COURSE, THEY WOULD PROBABLY SELL URANIUM WITH THE SAME SAFETY CRITERIA THAT THE US (AND IAEA) WOULD APPLY. SWEDISH PLANS FOR ITS URANIUM DEPOSITS WILL CONTINUE TO BE MONITORED CLOSELY AS SWEDISH DECISIONS WILL BEAR DIRECTLY ON US INTERESTS.

(I) CONSULT EARLY AND FULLY ON REAL OR POTENTIAL BILATERAL TRADE PROBLEMS.

STEEL. WE SHOULD CONTINUE TO KEEP THE SWEDES FULLY INFORMED ON THE NEW TRIGGER PRICE MECHANISM. IN PARTICULAR, CERTAIN AREAS OF STEEL PRODUCTS (STAINLESS, ALLOY) WHICH ARE NOT UNDER QUOTAS AND NOT YET IN THE TPM, ARE IMPORTANT TO SWEDISH EXPORTERS TO THE US. WILL THEY BE BROUGHT UNDER THE TPM?

STRATEGIC EXPORT CONTROLS (AND TECHNOLOGY TRANSFER). WE

HAVE HAD SOME PAINFUL MOMENTS WITH THE GOS RECENTLY ON US EXPORT CONTROLS--E.G., THE STANSAAB CASE. THE EXPERIENCE POINTS UP SWEDISH DEPENDENCE ON US TECHNOLOGY AND HIGH TECHNOLOGY PRODUCTS FOR ITS OWN DEFENSE ESTABLISHMENT AND INDUSTRIAL AND EXPORT BASE. THE SWEDES ARE WORRIED NOW AS TO THE YET DIMLY PERCEIVED CONSEQUENCES OF CURRENT US DELIBERATION REGARDING THE TRANSFER OF TECHNOLOGY (PRM 31) AND, POSSIBLY, RESTRICTION ON ARMS TRANSFER.

A CURRENT SWEDISH CONTRACT TO PROVIDE SENSITIVE THREE-AXIS NUMERICAL CONTROLLED MACHINE TOOLS TO POLAND CUTS ACROSS THIS ISSUE. THE SWEDES INSIST NO US COMPONENTS ARE INVOLVED; WE HAVE EXPRESSED CONCERN THAT THE CONTRACT CAN CONTRIBUTE TO EASTERN BLOC MILITARY CAPABILITIES. THE MINISTRY OF INDUSTRY HAS  
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INDICATED THAT NO FURTHER DIALOGUE IS IN ORDER, WHILE THE MFA HAS LEFT THE DOOR OPEN FOR FURTHER TALKS ON THE GENERAL PROBLEM. WE DOUBT THAT THE GOS WOULD ORDER THE SWEDISH COMPANY TO RENEGE ON THE CONTRACT.

THE EMBASSY HAS NOT BEEN KEPT WELL-INFORMED ON THE EVOLUTION OF US THINKING ON THE REVISION OF STRATEGIC EXPORT CONTROLS AND PHILOSOPHY. NOR HAVE THE SWEDES IN WASHINGTON. CONGRESSIONAL STAFFERS HAVE TOUCHED ON IT HERE, HOWEVER, AND HAVE AROUSED GOS CURIOSITY AND CONCERN. WE NEED MORE INFORMATION, AND AT LEAST ONE VISITOR WHO CAN BRIEF BOTH THE EMBASSY AND THE GOS. (WE HOPE THE VISIT IN APRIL BY DDR&E DIRECTOR PERRY CAN FULFILL THIS OBJECTIVE.)

IV. IMPROVE ACCURACY OF SWEDISH PERCEPTION OF US SOCIETY  
COURSES OF ACTION

(A) USE PUBLIC DIPLOMACY TO CORRECT SWEDISH MISUNDERSTANDING OF THE US AND TO INFORM PUBLIC OPINION AS TO OUR REAL CHARACTER.

THE NORMALIZATION OF SWEDISH-AMERICAN RELATIONS HAS RESULTED IN COMMUNICATION CHANNELS BEING INCREASINGLY RECEPTIVE TO AN EXCHANGE OF INFORMATION AND VIEWPOINTS. KEY NEWSPAPERS ARE MAKING MORE EXTENSIVE USE OF THE WIRELESS FILE; US SPEAKERS ACROSS THE POLITICAL SPECTRUM HAVE BEEN MADE WELCOME IN SWEDISH UNIVERSITIES AND INSTITUTES. COMMONALITY OF VIEWPOINT IS EXPRESSED ON SUBJECTS AS DIVERSE AS HUMAN RIGHTS, DISARMAMENT, PROBLEMS OF EXPORT AND UNEMPLOYMENT AND MANY OTHERS. MEDIA TREATMENT OF AMERICAN SOCIETY IS OFTEN SURPRISINGLY, PLEASINGLY BALANCED. SERIOUS DIALOGUE IS POSSIBLE WITH KEY MEMBERS OF THE SWEDISH INFLUENCE STRUCTURE AS SWEDEN'S

OWN DIFFICULTIES MAKE THE SWEDES MORE UNDERSTANDING OF  
THE PROBLEMS OF OTHERS.

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R 171110Z FEB 78

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 3081

INFO AMEMBASSY COPENHAGEN POUCH

AMEMBASSY HESLINKI POUCH

USMISSION USNATO POUCH

AMEMBASSY OSLO POUCH

AMEMBASSY REYKJAVIK POUCH

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THE THAW IS NOT COMPLETE, HOWEVER, AND WE SOMETIMES  
FEEL THAT AT BEST WE ARE INVOLVED IN A ONE STEP BACK-TWO  
STEP FORWARD PROCESS. SUCH QUESTIONS AS THE DISPOSITION  
OF NUCLEAR WASTE, US RELEASES ON MIXED SWEDISH-AMERICAN  
TECHNOLOGY, SWEDISH DEFENSE NEEDS, OCCASIONAL FLICKERS  
IN THE VIETNAM ASHES AND, ABOVE ALL, THE NEUTRON BOMB MAKE  
US WELL AWARE THAT WE ARE NOT QUITE OUT OF THE WOODS.

BY EXCHANGE OF INFORMATION AND VIEWPOINT, BY ACCESS  
TO THE MASS MEDIA AND KEY EDUCATIONAL INSTITUTIONS AND  
BY THE ORGANIZED AND SOPHISTICATED USE OF VISITING AMERICANS  
AND THE MISSION STAFF, THE MISSION INTENDS TO EXPLAIN AND  
DEMONSTRATE US WILLINGNESS TO LOOK IN THE FACT THE DIFFICULT  
COMMON PROBLEMS SHARED BY TWO HIGHLY TECHNOLOGICALLY  
ADVANCED AND DEMOCRATICALLY INCLINED SOCIETIES. THROUGH  
AN ANALYSIS OF THE SWEDISH INSTITUTIONAL AND INFLUENCE

STRUCTURE, WE ARE TAILORING A SERIES OF PROGRAMS WHICH DEAL WITH THE PRIMARY QUESTIONS OF US FOREIGN POLICY AS OUTLINED IN THE OTHER SECTIONS OF THIS PAPER. THESE PROGRAMS WILL USE AS INSTRUMENTS VISITING LECTURERS,  
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BOOKS, PAMPHLETS, SEMINARS, USG SPOKESMEN, THE EXCHANGE PROGRAM AND THE FULL PANOPLY OF MASS MEDIA TOOLS (FILMS, VTRS AND TV INTERVIEWS). ACCOUNTABILITY WILL BE BUILT INTO THE COMPUTERIZED ARS SYSTEM IN EFFECT AT THIS POST SO THAT WE KNOW WHERE WE ARE GOING BY HAVING SOME IDEA AS TO WHERE WE HAVE BEEN.

UNDER THE GUIDANCE OF THE AMBASSADOR AND WITH HIS PERSONAL PARTICIPATION, WE WILL MAINTAIN CONTACT ON THE MANY ISSUES WE HAVE IN COMMON AND SO PREPARE THE GROUND IN KEY PROFESSIONAL AND PERSONAL RELATIONSHIPS FOR THOSE UNAVOIDABLE ISSUES UPON WHICH WE, HAVING TO DEAL WITH THE REAL WORLD, ARE NOT GOING TO AGREE UPON. OUR TARGETS IN THE INFLUENCE STRUCTURE THEREFORE ARE THE PRESENT GOVERNMENT BUT ALSO THE NEXT. WE SHOULD REINFORCE THOSE VIEWPOINTS HELD IN COMMON WHILE PREPARING OURSELVES FOR THE INEVITABLE DIFFERENCES OF OPINION SURE TO COME.

EXAMPLE: HUMAN RIGHTS: AN ISSUE OF THE UTMOST IMPORTANCE TO BOTH AMERICANS AND THE SWEDES. BUT THE HUMAN RIGHTS CONCEPT IS CHANGING, FROM A POLITICAL TO A SOCIO-ECONOMIC ISSUE, IN EUROPE. WE NO LONGER WILL BE ABLE TO LIMIT DEBATE TO POLITICAL RIGHTS AND MUST BE PREPARED TO HANDLE "RIGHT TO EMPLOYMENT," "RIGHT TO JOB SECURITY," "RIGHT TO INEXPENSIVE MEDICAL CARE" AS WELL. WHEN THE DISCUSSION IS POLITICAL, WE AND THE SWEDES CAN BE MUTUALLY CONGRATULATORY. BUT WHEN HUMAN RIGHTS SHIFTS TO THE SOCIAL SPHERE WHEN THE DIFFERENCES BETWEEN SWEDEN AND US VIEWS BECOME INCREASINGLY NOTICEABLE, AND MANY SWEDES FEEL THAT WE COME UP WANTING. THE POST IS DEVELOPING A SERIES OF PUBLICATIONS DEALING WITH SUCH US PROGRAMS AS WELFARE, MEDICAL CARE, OLD AGE ASSISTANCE, ETC., WHICH SWEDISH POPULAR OPINION, EVEN  
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AMONGST SOPHISTICATED AUDIENCES, HOLDS TO BE SEVERELY LIMITED OR NON-EXISTENT IN THE US. WE MUST BE PREPARED TO HANDLE A DEBATE WHICH DOES NOT QUITE SO EASILY PUT US ON THE SIDE OF THE ANGELS AS HUMAN RIGHTS IN THE POLLING BOOTH.

ADDITIONAL SUBJECTS BEING DEALT WITH INCLUDE THE NORTH-SOUTH DIALOGUE, ECONOMIC INTERDEPENDENCE, NATO AND SECURITY, THE US LABOR MOVEMENT, ENERGY--NUCLEAR AND OTHERWISE, PROBLEMS OF URBANIZATION, MINORITIES--FROM INTEGRATION TO SEPARATE BUT EQUAL?, AND AMERICA AND THE CREATIVE ARTS.

THE MISSION WILL REQUIRE BETTER BACK-UP SUPPORT MATERIALS FROM WASHINGTON THAN HAS BEEN RECEIVED HERETOFORE IF WE ARE TO CONFRONT SUCCESSFULLY THE ISSUES MENTIONED ABOVE AND THE EVEN MORE DELICATE ONES SUCH AS THE ABOVE-MENTIONED NEUTRON BOMB.

#### C. CONCLUSION

LAST YEAR'S ASSESSMENT CONCLUDED AS FOLLOWS:

"THE NEXT TWO YEARS PROMISE TO BE A RELATIVELY CHALLENGING TIME FOR SUCH A USUALLY STABLE COUNTRY AS SWEDEN. IF THE NON-SOCIALIST COALITION GOVERNMENT STAYS IN OFFICE UNTIL THE NORMAL ELECTIONS IN 1979, IT MUST RECONCILE VERY SERIOUS DIFFERENCES OVER NUCLEAR ENERGY POLICY. AT THE SAME TIME, THE COUNTRY MUST COME TO GRIPS WITH ECONOMIC PROBLEMS MORE SERIOUS AND FAR-REACHING THAN ANY TIME FOR MANY YEARS. NEVERTHELESS, SWEDEN IS SWEDEN, AND THERE IS EVERY LIKELIHOOD THAT THE COUNTRY WILL REMAIN BUSY, PROSPEROUS AND STABLE--AND THAT THE UNITED STATES WILL STAY ON EXCELLENT TERMS WITH WHATEVER GOVERNMENT IS IN POWER. AFTER THE LOW PERIOD OF THE VIETNAM WAR, RELATIONS HAVE BEEN IMPROVING STEADILY,  
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AND THERE IS EVERY REASON TO BELIEVE THAT THIS WILL CONTINUE. THE PROSPECTS FOR INCREASED COOPERATION IN A NUMBER OF AREAS ARE HAPPY TO CONTEMPLATE, AND WE EXPECT THE CLIMATE FOR AMERICAN-SWEDISH RELATIONS TO CONTINUE TO BE VERY FAVORABLE."

WE BELIEVE THIS STATEMENT, UNCHANGED, TO BE VALID TODAY.  
KENFDY-MINOTT

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**Channel Indicators:** n/a  
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**Concepts:** FOREIGN RELATIONS, TEXT, FOREIGN POLICY POSITION, BRIEFING MATERIALS  
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**Copy:** SINGLE  
**Draft Date:** 17 feb 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014